It has sometimes been supposed that the publication of the *Wealth of Nations* brought to the world a new revelation of the principles of taxation, and that it immediately affected the policy of the Chancellors of the Exchequer. But this is a serious misconception; the only respect in which it bears some relation to the facts is on the subject of trade policy in the Customs. Apart from that, what Adam Smith did was to expand the commercial view of tax questions which we have been following, and to attempt to systematize and rationalize it by bringing it into relation with the distributive theory of the seventeenth century which Walpole expressed. He gave a wider intellectual sanction to a set of opinions already very influential. Apart from Pitt's commercial treaty of 1786 and Peel's and Gladstone's reform of the tariff between 1842 and 1860, no important change in English tax policy is connected with Adam Smith's influence; on the contrary, all the large changes since his day, such as the imposition of the Income Tax in 1799, have been made independently or in spite of his ideas [pp. 141–42].

HORACE SECRIST

NORTHWESTERN UNIVERSITY

A Theory of Interest. By CLARENCE GILBERT HOAG. New York: Macmillan, 1914. 8vo, pp. 228. $1.50 net.

As the title indicates, this book is designed to set forth a positive theory of interest rather than to give a history of doctrine. One chapter, however, the longest in the book, is devoted to a critical review of a number of the more prominent or more recent theories on the subject. Mr. Hoag states that every theory of interest hitherto advanced with which he is acquainted seems to him incorrect in details and inadequate in essentials (p. 117). As for his own efforts, he hopes he has succeeded in giving a substantially correct though doubtless imperfectly developed solution of the problem. Mr. Hoag shows a close acquaintance with the work of many though not all the professional economists in the field of his inquiry.

The preface comments on the social importance of the interest question, and speaks seriously of the need of those who believe interest is robbery to gain a clearer understanding of its true nature. The author's earnestly expressed hope that his work may come to influence the opinion of the practical world arouses in the reader expectations that are somewhat shocked when the main exposition is found to be an exceedingly difficult, abstract, or symbolical handling of the subject; in a word, a very "theoretical" treatment. The author's *style*, nevertheless, has the merit of great lucidity. The book gives also what many would describe as a very hedonistic treatment, inasmuch as pleasures and pains are being continually represented by lines, areas, and algebraic characters.

His argument once started, the author proceeds rapidly to what he regards as the kernel of the problem, dismissing the productivity theory or theories while on the way. Subsequently he states emphatically that Böhm-Bawerk and many others have demonstrated unanswerably that the usefulness of tools and material agents does not account for the premium upon present over future goods which is the substance of interest (p. 146). Incidentally it may be said that Mr. Hoag subjects Böhm-Bawerk's doctrine of the "technical superiority of present goods" to a thorough and adverse criticism (pp. 124–46). Mr. Hoag's own theory, if the reviewer is not mistaken, is a time-discount explanation of the purest type, but Mr. Hoag thinks that all time-discount theories heretofore advanced fail to penetrate to the heart of the problem, because they fail to answer the question what precisely it is "that men discount when we say carelessly they discount 'future goods' or 'future services'" (p. 7). Restating the question, though not in an improved form in the judgment of the reviewer, Mr. Hoag goes on to say:

> No one has quite solved the problem, in other words, who has not fully explained the nature of what we call the *principal.* What is the principal? Two lots of goods or services, one of an earlier time and the other of a later—so much is obvious. It is obvious also that the two lots are conceived to be in some sense equal. But in what sense? Whole books are written without giving an answer to this apparently simple, and certainly fundamental, question. Some of the leading economists refer to the two lots as merely "present goods" and "future goods" or as "earlier goods" and "later goods," as if nothing less hopelessly vague were required. We must insist, however, on knowing, and knowing precisely, in what sense the two lots are equal [p. 7].

Mr. Hoag considers and rejects in succession the following answers to his question, namely, (1) that the two lots of goods are equal in kind and number; (2) that they are equal in pleasure-giving capacity to some person or group of persons; and (3) that they are equal in exchange value, that is, in value in the sense of purchasing power. He then develops his own theory that they are equal in what he calls "nominal value." Within the limits of a review one could hardly attempt to explain the author's "nominal value," nor would it be profitable to quote his own set definition (p. 19) without giving his explanations of it, but it may be said that the author believes that his theorizing carries the explanation of interest from a point where previous attempts have come to a full stop forward to a satisfying conclusion.

The doctrine that the market phenomenon known as interest arises out of men's preference for present goods or income as against future

goods or income undoubtedly implies a *quantitative* comparison of present with future goods or income. For the doctrine rests on a premise tantamount to this, that only a *greater quantity* of future goods or income will trade for a *given quantity* of present goods or income. In the reviewer's judgment, Mr. Hoag would have made a better approach to his theory if he had omitted what has already been quoted from him concerning the "principal," and had argued merely that, when compared as quantities, present and future "goods" cannot be measured (1) in physical units, nor (2) in units of pleasure-giving capacity to a designated individual or designated group of individuals, nor (3) in units of exchange value, but can be measured only in "nominal value." As for the theory of nominal value, the reviewer does not at present claim to understand it fully, but is inclined to characterize it as carefully wrought out and acute but misguided.

A. C. WHITAKER

LELAND STANFORD JUNIOR UNIVERSITY

The Fall of Protection. By BERNARD HOLLAND. New York: Longmans, Green & Co., 1913. 8vo, pp. 372. $3.50.

This monograph is of a type familiar to students of British commercial policy. It is the work of a civil servant of high rank whose official duties have placed him in a position favorable to considering the topic with which he professes to deal. Mr. Holland points out that he "worked for four and a half years as private secretary to two successive secretaries of state, at the very centre of the Colonial Office, which is itself one of our three great centres of information from the whole Empire." As such a study it has the merits and limitations of its kind. The great currents which converged and resulted in the overthrow of the protective system are clearly and carefully traced to their sources; the book is excellently documented, the position of any statesman of importance on the question is tabbed off; while the whole movement is handled with a sense of the reality of the practical problems that demanded solution.

On the other hand, the standing reproach against British writers that the subject of free trade or protection is never considered except from a partisan viewpoint will find some support here. Mr. Holland is a protectionist and he states his position in the preface: "I have not therefore exerted myself to *appear impartial* . . . . but I have tried not to be *unfair*." As a protectionist he indeed tries hard to see a silver lining